

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF GAS AND ELECTRIC)	
RATES OF LOUISVILLE GAS AND)	CASE NO. 90-158
ELECTRIC COMPANY)	

O R D E R

IT IS ORDERED that Louisville Gas and Electric Company ("LG&E") shall file an original and 15 copies of the following information with this Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. The information requested herein is due no later than August 22, 1990.

1. Concerning the testimony of David R. Carey, page 15, provide copies of any cost-benefit analysis performed by LG&E concerning the alternatives of:

a. Conducting research and development in concert with other electric utilities through the Electric Power Research Institute ("EPRI").

b. Conducting research and development in-house.

2. Beginning on page 17 of Mr. Carey's testimony and running through page 20 is a narrative explaining some of the initiatives aimed at improving customer service at LG&E. For each of the initiatives listed, provide the test year cost, any quantifiable savings, and the estimated continuing costs.

3. Concerning the testimony of Stephen R. Wood, pages 6 and 7, provide the following information concerning employment levels at LG&E:

a. For the period beginning August 31, 1987 (test year end in LG&E's last general rate case) and ending April 30, 1990 (test year end for the current general rate case), list by month the number of exempt employees at LG&E. Exclude from these figures any employees specifically related to Trimble County Unit No. 1 ("Trimble County").

b. For the period beginning August 31, 1987 and ending April 30, 1990, list by month the number of non-exempt employees at LG&E. Exclude from these figures any employees specifically related to Trimble County.

c. For the period beginning August 31, 1987 and ending April 30, 1990, list by month the number of union employees at

LG&E. Exclude from these figures any employees specifically related to Trimble County.

d. For the period beginning August 31, 1987 and ending April 30, 1990, list by month the number of Trimble County employees. Breakdown the month total between exempt, non-exempt, and union, if applicable.

4. Concerning Mr. Wood's testimony at page 6, LG&E's restructuring action, provide the following information:

a. Indicate the number of non-exempt positions eliminated at LG&E.

b. Show how many exempt and non-exempt employees were included in the 175 accepting the special early retirement program.

c. Show how many exempt and non-exempt employees were included in the 14 voluntarily terminated.

d. Indicate how many new employees, both exempt and non-exempt, LG&E hired to fully staff its new organization structure.

5. Provide the total costs incurred in the test year by LG&E for its special early retirement program. Indicate any additional costs incurred or estimated subsequent to test-year end. Provide the accounts where the test year costs for the special early retirement program were recorded.

6. Concerning the Team Incentive Award plan ("TIA"), provide the following information:

a. A copy of the information provided to participants in TIA.

b. The estimated costs, including payouts, for TIA in 1990 and the next 5 years.

7. Provide a copy of the benchmark study which indicated exempt employees needed an increase in salaries.

8. Provide the basis for the November 1989 increases in non-exempt salaries. Include any studies or analysis which support the increase.

9. Concerning the union work force incentive pay increases, provide an explanation of how the specified goals used to award the increases are to be determined and evaluated. Where applicable, cross-reference the explanation to the appropriate sections of the union contract filed as the response to Item 43 of the June 29, 1990 Order.

10. Concerning the testimony of Mr. Wood, page 14, provide an explanation of the tax advantages offered to the employer through its benefit programs.

11. Provide a detailed comparison of coverage and benefits between the following medical programs:

a. The traditional first dollar medical plan versus the January 1, 1990 comprehensive major medical plan.

b. The original Option 2000 plans versus the January 1, 1990 comprehensive Major Medical Option 2000 plan.

Include in the comparison the premium costs to the employee and LG&E for each program.

12. Concerning the testimony of Mr. Wood, pages 17 and 18, provide the following information:

a. A copy of the referenced benefit evaluation for electric utilities published by the Edison Electric Institute ("EEI").

b. Indicate whether LG&E's relative index scale value of 89.7 included all its medical plans or only its medical plan for non-union employees.

c. Explain how LG&E's ranking on this evaluation supports the view that its implemented medical plans are not "unjustifiably rich in benefits."

13. Concerning LG&E's 401(k) defined contribution program, provide the following information:

a. The number of employees participating in this program as of test year end, as well as at the end of calendar years 1987, 1988, and 1989. Include in this analysis a breakdown between exempt, non-exempt, and union employees. Also indicate the number of employees for each time period who contribute more than 6 percent of their salaries to the program.

b. The total contributions by employees and the LG&E matching contributions as of test year end, and at the end of calendar years 1987, 1988, 1989.

c. An analysis of LG&E's total retirement benefits package. Reflect the differences between exempt, non-exempt, and union employees. Include the costs to LG&E for the retirement benefits package as of test year end, and for the last 5 calendar years.

14. Concerning the testimony of Mr. Wood, page 20, the comparison of LG&E's defined contribution program to other utilities, provide the following information:

a. A copy of the Towers Perrin Company benefit value index. Indicate LG&E's ranking on this index and how the ranking is determined.

b. Indicate whether LG&E surveyed the surrounding adjacent states concerning the recovery of employer matching contributions for rate-making purposes. If performed, include the results of this survey.

15. Provide a copy of the latest actuarial study by William H. Mercer, Inc., which was referenced on page 21 of Mr. Wood's testimony.

16. Concerning Wood Exhibit 1, provide the following information:

a. Indicate if the references to "eligible employees" means the actual number of employees enrolled in the medical benefits programs. If not the actual number of enrolled employees, include the actual number of enrolled employees for the listed medical benefits programs as of test year end.

b. For the health insurance costs, page 1 of 4, provide documentation which supports the rates shown for each coverage option.

c. For the health insurance costs, supply the calculations used to determine the downsizing cost of \$2,257,275.

d. For the group insurance costs, page 2 of 4, explain how the November 1989 and March 1990 wage increases for non-union

employees have been incorporated in the calculation of the group insurance costs for non-union employees. Include all supporting workpapers.

e. For the group insurance costs, indicate whether the test year amount per books were adjusted for downsizing. If downsizing affected the test year amount, show the amount of downsizing costs.

f. For the dental expenses, page 3 of 4, provide documentation which supports the rates shown for each dental plan.

g. For the dental expenses, indicate whether the test year expenses were adjusted for downsizing. If downsizing affected the test year expenses, show the amount of downsizing costs.

h. For the pension expense, page 4 of 4, provide the supporting workpapers for the estimated pension expense shown for union and non-union retirement plans.

i. Explain the basis for the operating portion rate of 71.20 percent used throughout Wood Exhibit 1.

17. Concerning the testimony of M. Lee Fowler, pages 30 through 33, the proposed Phase II proceeding, provide the following information:

a. Explain in detail why the first three months of actual operating and maintenance expenses, when annualized, will reflect a normal year of expenses for Trimble County.

b. On page 31, at line 12, reference is made to "unrepresentative costs." Explain what costs are included in this classification.

c. Explain why LG&E proposes in Phase II to only recognize the impact of Trimble County, related off-system sales, and the depreciation on the planned retirement of Cane Run Unit No. 3.

d. Explain why LG&E should not update all operating revenues, operating expenses, rate base items, and capital in a Phase II proceeding.

e. Explain why the off-system sales as of April 30, 1990 should be utilized as a base amount for off-system sales instead of the off-system sales as of the day before Trimble County becomes operational.

18. Concerning Fowler Exhibit 1, Schedule E, provide the supporting workpapers for the property tax adjustment. Include copies of the documents showing the property tax rates.

19. Concerning Fowler Exhibit 1, Schedule I - Gas, page 2 of 2, provide the supporting workpapers for the calculations referenced as adjustment for mismatch in transportation component, demand components, and GSC revenue.

20. Concerning Fowler Exhibit 1, Schedule J, the proposal to amortize the downsizing costs, explain why payroll taxes were adjusted out of administrative and general expense accounts instead of the appropriate tax accounts.

21. Concerning Fowler Exhibit 1, Schedule K, provide the actual charge-offs to electric and gas uncollectible accounts for the test year and the 5 previous calendar years.

22. Concerning Fowler Exhibit 1, Schedule O, provide the following information:

a. The calculations which support the test year figure for sales and use taxes of \$2,040,000.

b. The calculations which support the reported operating percentage of 40 percent.

23. Concerning Fowler Exhibit 1, Schedule P, provide a breakdown of the proposed \$133,980 adjustment showing the accounts where the project expenses were recorded.

24. Concerning Fowler Exhibit 1, Schedule Q, provide a detailed schedule itemizing the non-recurring expenses LG&E proposes to eliminate. Include the account number where the expense was recorded and a description of the expense.

25. Concerning Fowler Exhibit 1, Schedule S, provide all supporting calculations and workpapers which document the proposed adjustment to reflect additional cost of locating customer-owned gas service lines.

26. Page 22 of Mr. Fowler's testimony discusses LG&E's headwater benefit assessment. In its response to Item 16(t) of the June 29, 1990 Order, LG&E filed a copy of a motion with the Federal Energy Regulatory Commission ("FERC") where FERC had accepted LG&E's payment of \$324,098. This motion also indicates that LG&E had filed a timely appeal of the original assessment of \$3.6 million. Provide the status of LG&E's appeal of the \$3.6 million assessment as of the date of response to this Order.

27. Concerning Fowler Exhibit 1, Schedule V, provide the following information:

a. Explain why line 10, Other Interest, is included in this calculation and then in effect reversed by the adjustment proposed in Fowler Exhibit 1, Schedule AA.

b. Explain why Other Interest is included in this calculation when Mr. Fowler has stated on page 25 of his testimony, "In Case No. 10064, the Commission denied recovery of other interest expense."

c. Other Interest expense is a "below-the-line" item. Explain why an adjustment to "above-the-line" utility income taxes is necessary.

28. Concerning Fowler Exhibit 1, Schedule W, pages 2 and 3 of 3, provide the workpapers and calculations which support the amount presented on these two pages of the schedule.

29. Concerning Fowler Exhibit 1, Schedule X, provide the workpapers and calculations which support the amounts presented on this schedule.

30. Concerning Fowler Exhibit 1, Schedule Y, provide the workpapers and calculations which support the amounts presented on this schedule.

31. Concerning Fowler Exhibit 1, Schedule AA, provide the basis for the allocation of Common interest expense to the Electric and Gas operations.

32. Concerning Fowler Exhibit 4, provide the following information:

a. A detailed listing of the costs identified as "LG&E Building Capital Costs."

b. A detailed listing of the expected additional expenditures for Trimble County totaling \$37,829,317.

33. Concerning the Trimble County construction work in progress ("CWIP"), provide the following:

a. A schedule detailing the reductions in estimated CWIP for Trimble County from \$750 million to \$715 million.

b. A detailed end-of-month statement of Trimble County CWIP for each month after the test year, including the month in which the hearing ends, as the information becomes available.

34. Concerning the testimony of Richard L. Rudman, page 22, provide a copy of Exhibit 2, referenced as EPRI's most recent annual report, which was not filed with the testimony.

35. Provide a copy of any cost/benefit analysis performed by or for LG&E concerning its joining EPRI.

36. Provide a copy of the current EPRI membership policy.

37. For the test year and the three previous calendar years, provide a listing of all EPRI research results, publications, seminars, workshops, and other programs LG&E has purchased or utilized. Include a detailed description of the service and the cost to LG&E.

38. Provide a copy of an audit report or similar analysis of EPRI, like that prepared by the National Association of Regulatory Utility Commissioners ("NARUC") for EEI, if available.

39. Concerning the testimony of Frank L. Wilkerson, in reference to LG&E's membership in EEI, provide the following information:

a. A copy of any cost/benefit analysis performed by or for LG&E concerning its membership in EEI.

b. A listing of all employees of LG&E who serve on specific committees of EEI.

40. Concerning the testimony of Mr. Wilkerson, pages 5 through 7, provide the following information:

a. Regarding the postal rate discount, indicate if the rate discount would have been available to LG&E if it were not a member of EEI.

b. Regarding the insurance savings, indicate if LG&E would have been able to join or secure insurance coverage from the Associated Electric and Gas Insurance Services and Energy Insurance Mutual if it had not been a member of EEI.

c. Regarding the tax audit question, indicate if LG&E could have achieved the same resolution of the tax question if it had researched the question itself or consulted its independent auditor.

41. On page 8 of Mr. Wilkerson's testimony it is stated that the 1990 dues to EEI total \$180,408. However, in the response to Item 25(b) of the June 29, 1990 Order, on page 12 of 27, the dues paid in March 1990 totaled \$178,779. Indicate the correct amount for EEI dues.

42. Concerning the testimony of Benjamin A. McKnight, the changes caused by the Tax Reform Act of 1986, provide an explanation of why LG&E chose to use a one-time adjustment of the full amount of unbilled revenues.

43. Concerning the response to Item 14 of the June 29, 1990 Order, for each of the utility plant accounts listed below, explain the reason for the change in the account balance between April 30, 1989 and the test year end:

a. Account No. 1353.1, Substation Equipment - Project 289, page 9 of 44.

b. Account No. 1364, Poles, Towers and Fixtures, page 13 of 44.

c. Account No. 1366, Underground Conduit, page 13 of 44.

d. Account No. 1367, Underground Conductors and Devices, page 14 of 44.

e. Account No. 1368.1, Line Transformers, page 14 of 44.

f. Account No. 1368.2, Line Transformer Installations, page 14 of 44.

g. Account No. 1370.1, Meters, page 15 of 44.

h. Account No. 1370.2, Meter Installations, page 15 of 44.

i. Account No. 1373.1, Overhead Street Lighting, page 15 of 44.

j. Account No. 1373.2, Underground Street Lighting, page 15 of 44.

k. Account No. 1394.3, Other Equipment, page 17 of 44.

l. Account No. 1395, Laboratory Equipment, page 17 of 44.

- m. Account No. 2376, Mains, page 26 of 44.
- n. Account No. 2380, Services, page 26 of 44.
- o. Account No. 2382, Meter Installations, page 27 of 44.
- p. Account No. 2383, House Regulators, page 27 of 44.
- q. Account No. 2384, House Regulator Installations, page 27 of 44.
- r. Account No. 3303, Miscellaneous Intangible Plant - IFPS Computer Software, page 31 of 44.
- s. Account No. 3391.1, Office Furniture, page 32 of 44.
- t. Account No. 3391.3, Computer Equipment, page 33 of 44.
- u. Account No. 3394.2, Garage Equipment, page 34 of 44.
- v. Account No. 3396.1, Power Operated Equipment - Hourly Rated, page 34 of 44.
- w. Account No. 3397, Communication Equipment - Other, page 35 of 44.

44. Concerning the response to Item 14 of the June 29, 1990 Order, for each of the reserve balance categories, explain the change in the reserve balance between April 30, 1989 and the test year end:

- a. Electric Steam Production, page 42 of 44.
- b. Electric Transmission - Project 289, page 42 of 44.
- c. Electric Transmission - Non-Project, page 42 of 44.
- d. Electric Distribution, page 42 of 44.

- e. Electric General, page 42 of 44.
- f. Gas Underground Storage, page 43 of 44.
- g. Gas Distribution, page 43 of 44.
- h. Gas General, page 43 of 44.
- i. Common General, page 44 of 44.
- j. Common Transportation Equipment, page 44 of 44.
- k. Common Power Operated Equipment, page 44 of 44.
- l. Amortization - Gas Underground Storage, page 44 of 44.

m. Amortization - Common Franchises and Consents and Miscellaneous Intangible Plant, page 44 of 44.

45. Concerning the response to Item 16(d) of the June 29, 1990 Order, provide the following information:

a. Regarding the project temporary employees listed on page 6 of 16, indicate if all of these employees are assigned to Trimble County.

b. Indicate how long these project temporary employees have been classified to Trimble County and when they are expected to be returned to regular operations.

c. Regarding the unemployment tax estimates on page 11 of 16, explain what is meant by the reference to "Total Employees at 4/30/90 (See Attached)."

46. Concerning the response to Item 18(a) of the June 29, 1990 Order, for each of the electric expense accounts listed, explain the change in the account balance between April 30, 1989 and the test year end:

- a. Account No. 500, Supervision - Engineering, page 2 of 74.
- b. Account No. 502, Steam Expenses, page 2 of 74.
- c. Account No. 507, Rents - Steam, page 4 of 74.
- d. Account No. 511, Maintenance - Structures, page 4 of 74.
- e. Account No. 512, Maintenance - Boiler Plant, page 4 of 74.
- f. Account No. 513, Maintenance - Electric Plant, page 4 of 74.
- g. Account No. 544, Maintenance - Electric Plant, page 10 of 74.
- h. Account No. 545, Maintenance - Hydro Plant, page 10 of 74.
- i. Account No. 547, Fuel, page 12 of 74.
- j. Account No. 553, Maintenance - General/Electric Equipment, page 14 of 74.
- k. Account No. 555, Purchased Power, page 16 of 74.
- l. Account No. 556 & 558, System Control/Load Dispatch - Duplicative Charges, Credit, page 16 of 74.
- m. Account No. 560, Supervision - Engineering, page 18 of 74.
- n. Account No. 561, Load Dispatching, page 18 of 74.
- o. Account No. 563, Line Expense, page 18 of 74.
- p. Account No. 566, Miscellaneous Transmission Expense, page 18 of 74.
- q. Account No. 567, Rents, page 20 of 74.

r. Account No. 569, Maintenance - Structures, page 20 of 74.

s. Account No. 570, Maintenance - Station Equipment, page 20 of 74.

t. Account No. 571, Maintenance - Overhead Lines, page 20 of 74.

u. Account No. 584, Underground Line Expense, page 24 of 74.

v. Account No. 585, Street Light/Signal Expense, page 24 of 74.

w. Account No. 586, Meter Expenses, page 24 of 74.

x. Account No. 587, Customer Installation Expense, page 26 of 74.

y. Account No. 589, Rents, page 26 of 74.

z. Account No. 590, Supervision - Engineering, page 26 of 74.

aa. Account No. 591, Maintenance - Structures, page 26 of 74.

ab. Account No. 592, Maintenance - Station Equipment, page 26 of 74.

ac. Account No. 594, Maintenance - Underground Lines, page 28 of 74.

ad. Account No. 597, Maintenance - Meters, page 28 of 74.

ae. Account No. 598, Maintenance - Distribution Plant, page 28 of 74.

af. Account No. 904, Uncollectible Accounts, page 30 of 74.

ag. Account No. 910, Miscellaneous Customer Service & Information, page 32 of 74.

ah. Account No. 912, Demonstration and Selling Expense, page 34 of 74.

ai. Account No. 913, Advertising Expenses, page 34 of 74.

aj. Account No. 920, Administrative and General Salaries, page 36 of 74.

ak. Account No. 921, Office Supplies and Expenses, page 36 of 74.

al. Account No. 923, Outside Services, page 36 of 74.

am. Account No. 925, Injuries and Damages, page 36 of 74.

an. Account No. 926, Employee Pensions and Benefits, page 36 of 74.

ao. Account No. 928, Regulatory Commission Expense, page 38 of 74.

ap. Account No. 929, Duplicate Charges - Credit, page 38 of 74.

aq. Account No. 9301, General Advertising Expense, page 38 of 74.

ar. Account No. 931, Rents, page 38 of 74.

as. Account No. 935, Maintenance - General Plant, page 38 of 74.

47. Concerning the response to Item 18(a) of the June 29, 1990 Order, for each of the gas expenses accounts listed, explain the change in the account balances between April 30, 1989 and the test year end:

a. Account No. 8081, Gas Withdrawn from Storage - Debit, page 44 of 74.

b. Account No. 810, Gas - Compressor Station Fuel - Credit, page 44 of 74.

c. Account No. 812, Gas - Other Operations - Credit, page 44 of 74.

d. Account No. 814, Supervision - Engineering, page 46 of 74.

e. Account No. 818, Compressor Station Expense, page 46 of 74.

f. Account No. 819, Compressor Station Fuel, page 46 of 74.

g. Account No. 820, Measure/Regulator Station Expense, page 46 of 74.

h. Account No. 821, Purification Expense, page 48 of 74.

i. Account No. 823, Gas Losses, page 48 of 74.

j. Account No. 830, Supervision - Maintenance, page 48 of 74.

k. Account No. 832, Reservoirs and Wells, page 50 of 74.

l. Account No. 833, Maintenance - Underground Lines, page 50 of 74.

- m. Account No. 851, System Control/Dispatch, page 52 of 74.
- n. Account No. 874, Mains/Services Expense, page 58 of 74.
- o. Account No. 875, Measure/Regulator Station Expense - General, page 58 of 74.
- p. Account No. 879, Customer Installation Expense, page 60 of 74.
- q. Account No. 890, Measure/Regulator Station Equipment - Industrial, page 62 of 74.
- r. Account No. 892, Services, page 62 of 74.
- s. Account No. 894, Other Equipment, page 62 of 74.
- t. Account No. 904, Uncollectible Accounts, page 64 of 74.
- u. Account No. 912, Demonstrating and Selling Expense, page 68 of 74.
- v. Account No. 913, Advertising Expense, page 68 of 74.
- w. Account No. 920, Administrative and General Expense, page 70 of 74.
- x. Account No. 921, Office Supplies and Expense, page 70 of 74.
- y. Account No. 922, Administrative Expense Transfer - Credit, page 70 of 74.
- z. Account No. 923, Outside Services, page 70 of 74.
- aa. Account No. 924, Property Insurance, page 70 of 74.

ab. Account No. 926, Employee Pensions and Benefits, page 70 of 74.

ac. Account No. 929, Duplicate Charges - Credit, page 72 of 74.

ad. Account No. 9302, Miscellaneous General Expense, page 72 of 74.

ae. Account No. 931, Rents, page 72 of 74.

af. Account No. 935, Maintenance - General Plant, page 72 of 74.

48. Concerning the response to Item 20(a)(8) of the June 29, 1990 Order, provide the following information:

a. A copy of the federal and state income tax returns filed during the test year, including supporting schedules.

b. The 1989 Annual Report on file with the Commission includes a reconciliation of the book tax with the federal income tax for 1989. Provide all calculations and workpapers which support the federal income tax reported in the 1989 Annual Report, for both electric and gas operations.

49. Concerning the response to Item 25(a) of the June 29, 1990 Order, provide the expected benefits to be derived from the advertising expenses listed in this response, as was originally requested.

50. Concerning the apportionments listed in Item 25(a), page 3 of 3, for each apportionment used, indicate the date of the most recent review of the factors.

51. Concerning the response to Item 25(b) of the June 29, 1990 Order, provide the following information:

a. On page 3 of 27, line 36, explain whether LG&E proposes to leave the filing fee for the Holding Company in its expenses for rate-making purposes.

b. On page 13 of 27, explain why these contributions were not recorded in an appropriate subaccount of Account No. 426.

c. On pages 20 and 21 of 27, explain the nature of the \$53,268 in moving expenses.

d. On page 20 of 27, explain the nature of the video expenses listed on lines 25 and 34.

e. On page 20 of 27, explain the nature of the expense listed on line 35.

f. On page 21 of 27, explain the nature of the installments on pledges listed on lines 5 and 6.

52. Concerning the response to Item 26 of the June 29, 1990 Order, the vouchers paid report, indicate whether the following analysis is correct. In the reference to "Total Account 3903032," the second through fourth digit refers to the account number as defined in the Uniform System of Accounts, and the subsequent digits designate subaccounts.

53. Concerning the response to Item 26, identify all entries which relate to Trimble County. As a means to provide this information, an appropriately marked copy of the filed response to Item 26 is sufficient.

54. Concerning the response to Item 26, for each of the vendors listed, submit a further description of the services provided:

- a. Access Computer Careers Division
- b. Actron/Price Waterhouse
- c. American Red Cross
- d. Computer Progress Corporation
- e. Gardner, Carton & Douglas
- f. Hewitt Associates
- g. ICF, Inc.
- h. Kilpatrick & Cody
- i. Long Term Contract Consultants
- j. Management Associated Results Co.
- k. Management Resources International
- l. Management Solutions, Inc.
- m. Mercer-Meidinger-Hansen, Inc.
- n. Middleton & Reutlinger
- o. Murray Guard, Inc.
- p. NUS Corporation
- q. Ohio Valley Computer Consultants
- r. Osgood & Associates
- s. Paul R. Ray & Co., Inc.
- t. Realistic Data Solutions, Inc.
- u. Scott Consulting Group
- v. Source EDP
- w. Vantage Consulting Group
- x. Vernon Graphics
- y. Westfall, Talbott & Woods

For each vendor, indicate whether the costs of these services will be of a recurring nature.

55. According to Charles Olson's testimony at the bottom of page 22, "During this period (since December 1988) the low price was \$36.500, the high \$41.750 and the average \$39.125." However Schedule 2 shows that the low price in 1989 was \$32.000, which would indicate that the testimony (and the resulting indicated yield discussed on page 23) is incorrect. If this testimony is incorrect, provide all necessary corrections, including mathematical computations, and show how the average price was computed. If the testimony is correct, explain why.

56. Explain why an 8 percent premium (as discussed on page 36 of Mr. Olson's testimony) as opposed to a lesser or greater premium, is appropriate for LG&E, and provide any empirical support for setting such a premium at 8 percent.

57. With reference to the response to Item 54, page 1 of 6, of the June 29, 1990 Order, discuss in specific detail the additional costs and benefits reflected in the test year from action plans implemented prior to the test year. Explain how these costs and benefits have been reflected in LG&E's determination of revenue requirements.

58. For the test year, provide the total fuel cost applicable to ultimate retail consumers as reported in LG&E's monthly fuel adjustment reports.

59. Fowler Exhibit 1, Schedule A - Electric, provide the calculation of normalized revenues based on the rates in effect at the time the application was filed.

a. Based on the present base fuel cost of 1.422 cents per KWH, provide the adjusted test year amount of fuel cost recovered through the present rates.

b. On page 15 of 23, clarify whether the second column from the right side of the schedule should be titled fuel clause billings rather than energy billings.

c. Assuming the answer to (b) is yes, confirm whether total adjusted fuel clause revenue for the test year is <\$16,115,195>.

60. Exhibit No. 6a and 6b summaries show forfeited discounts of \$2,518,719 and \$1,442,100, respectively, for electric and gas operations.

a. Explain whether any consideration was given to adjusting these amounts in proportion to the amounts of the proposed increases.

b. Explain LG&E's position regarding forfeited discounts, specifically, why an increase in rates and customers' bills would not produce an increase in the amount of forfeited discounts.

61. In the testimony of Randall Walker, at page 14, line 17, Mr. Walker mentions a 1 percent variation from the proposed overall increase as one constraint imposed in allocating the proposed increase in electric revenues. Explain the derivation of the 1 percent variation and provide any analysis used in its development.

62. On page 21 of his testimony, Mr. Walker discusses the proposed changes in the interruptible electric service rider.

Provide a narrative explanation and supporting calculations which explain the derivation of the proposed credit of \$3.30 per KW.

63. On page 25 of Mr. Walker's testimony, he states that the proposed increase for the residential class is approximately 1 percent more than the overall increase in gas revenues. Explain the choice of 1 percent and provide any analysis used in its derivation and selection.

64. Fully explain the use and development of all internally-generated functional assignment vectors used in the gas and electric cost-of-service studies included in Walker Exhibits 1 and 2. Provide all related workpapers.

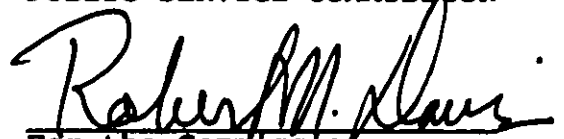
65. Fully explain the development of all allocation factors shown on Walker Exhibit 1, page 12 and Walker Exhibit 2, page 16. Provide all related workpapers.

66. Provide all regression results, including computer printouts and manual calculations, used in the preparation of the zero-intercept analyses in both the electric and gas cost-of-service studies.

67. Provide all workpapers used in the preparation of the electric and gas cost-of-service studies not heretofore requested.

Done at Frankfort, Kentucky, this 8th day of August, 1990.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director